

## OTHER GOVERNMENT CREATED INSURANCE RELATED ENTITIES

In addition to Citizens, there is the government run reinsurer, the Florida Hurricane Catastrophe Fund (CAT Fund) and the government created Florida Insurance Guaranty Association which pays off claims to policyholders of failed property insurance companies. Both these entities have the power to assess certain property and casualty insurance policyholders.



## INSURANCE CONTACT INFORMATION

**Citizens Property Insurance Corporation**

[www.citizensfla.com](http://www.citizensfla.com)

**Florida Hurricane Catastrophe Fund**

[www.sbafla.com/fhcf](http://www.sbafla.com/fhcf)

**Florida Insurance Guaranty Association**

[www.figafacts.com](http://www.figafacts.com)

Contact: Tom Hamby  
Tom.hamby@myfloridahouse.gov  
(850) 488-4864

# Florida House of Representatives

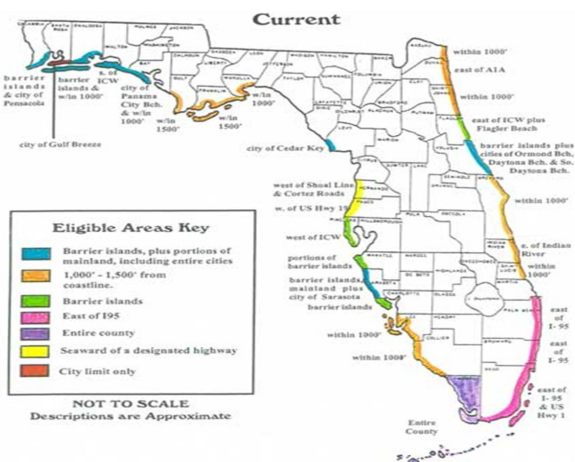
## PROPERTY INSURANCE



Fall 2010

## CITIZENS PROPERTY INSURANCE

All property insurers must offer both windstorm and other peril coverage except in certain designated high risk areas. In these “zones” insurers may exclude windstorm coverage, and Citizens Property Insurance Corporation, a government insurer, provides windstorm coverage.



Citizens also provides insurance in all areas of the state where insurers choose not to write both wind and other peril coverage. Citizens offers three types of coverage.

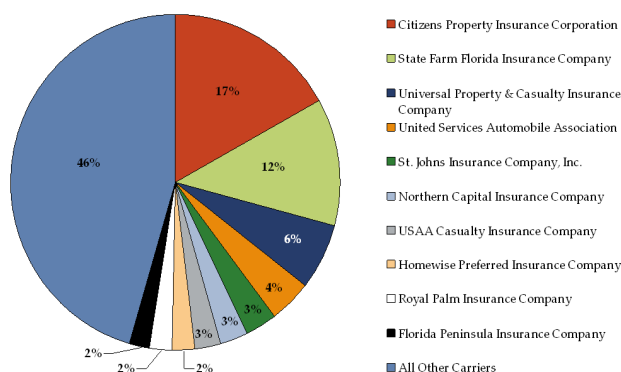
- **Personal Lines Account (PLA)** -- Personal residential multi-peril policies including homeowners, dwelling fire, mobile home, tenants and condominium unit owners.
- **Commercial Lines Account (CLA)** -- Commercial residential multi-peril policies including condominium associations and apartment buildings. Commercial non-residential wind-only and multi-peril policies located outside of the coastal HRA eligible areas.
- **High-Risk Account (HRA)** -- Wind-only and multi-peril policies for personal residential, commercial residential, and commercial non-residential risks located in eligible coastal HRA areas.

## PROPERTY INSURANCE

### PRIVATE MARKET/PUBLIC SECTOR

Citizens was originally established as a market of last resort, meaning coverage was only provided when private insurance was unavailable. Under current law, an applicant for coverage with Citizens is eligible even if the applicant has an offer of coverage from an insurer in the private market at its approved rates if the premium for that offer of coverage is more than 15 percent than the premium Citizens would charge for comparable coverage.

### Personal Residential Premiums Written Market Share



Surplus line companies are not included in the market share calculations.

### RELIANCE ON ASSESSMENTS

- Citizens' total exposure is \$426 billion. The 1-in-100 year storm would cost \$23 billion.
- Citizens' surplus is \$4.3 billion. Coverage from the Florida Hurricane Catastrophe Fund is \$5.6 billion.
- The remaining \$13.1 billion would be covered by assessments.
- While Citizens is in its best-ever financial position, with projected combined surplus + FHCF reimbursements of approximately \$10 billion, it continues to rely on assessments to fund catastrophe losses in the event of a large storm or several smaller storms.

## PRIORITY OF ASSESSMENTS

Assessments are levied when there is a deficit in each of three Citizens' accounts.

**Citizens Policyholder Surcharge**—Citizens' policyholders are assessed up to 15% of premium first.

**Regular Assessment**— If funds collected from such an assessment are insufficient to pay the deficit, most Florida admitted and surplus lines property insurance policyholders, but not Citizens' policyholders, are assessed up to 6% of premium or of the deficit.

**Emergency Assessment**—If the funds collected from the second assessment (regular assessment) are insufficient to pay the deficit, most Florida admitted and surplus lines property insurance policyholders, including Citizens' policyholders, are assessed up to 10% of premium or of the deficit for the rest of the deficit.

## PAYING FOR RISK

- How to pay for risk? Do you pay for it with capital (premiums) on the front end or debt (assessments) on the back end? Or, with a mixture of the two?
- As it relates to Citizens and paying for risk, laws have passed to require rates to: be frozen even when they were not actuarially sound; be actuarially sound on a fast track; be actuarially sound immediately.
- In 2009, the Legislature required Citizens to increase a policyholder's premiums to an actuarially sound level but by no more than 10% annually. That same law also began a process to reduce the CAT Fund's exposure, balancing the benefits of less expensive premiums for all homeowners with the need to avoid substantial assessments on most property and casualty policyholders.
- In 2010, the Governor vetoed a bill that sought to reduce disruption in the private market and to improve insurers' financial solvency.
- For the future, the Legislature is expected to consider a range of proposals promoting a healthy free-market, encouraging competition and ultimately lowering the cost of insurance for all Floridians.